

Message Text

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15

ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 PA-04 PRS-01 USIA-15 DRC-01 /151 W

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P R 081120Z DEC 73

FM AMEMBASSY KABUL

TO SECSTATE WASHDC PRIORITY 0000

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

C O N F I D E N T I A L KABUL 8358

E.O. 11652: GDS

TAGS: EFIN, AF

SUBJECT: KABUL MONEY BAZAAR UNDER RENEWED GOVERNMENT PRESSURE

REF: KABUL 8075

1. IN VOLTE FACE ACTION FROM RECENT RELAXATIONS (REFTEL), DAOUD GOVERNMENT HAS, IN EFFECT, BANNED ALL FOREIGN EXCHANGE TRANSACTIONS BY KABUL PRIVATE MONEY BAZAAR. EFFECTIVE THIS WEEK, ALL MONEY BAZAAR MERCHANTS WERE INFORMED BY CENTRAL POST OFFICE

THAT FOREIGN EXCHANGE CHECKS MAILED ABROAD BEING HELD AT POST OFFICE AND THAT HENCEFORTH ALL MAILINGS OF FOREIGN EXCHANGE INSTRUMENTS PROHIBITED.

2. EMBOFF INFORMED THAT PRIVATE MONEY MERCHANTS HELD MEETING DECEMBER 6 TO DETERMINE FUTURE COURSE OF ACTION. IN INTERIM, ONLY LIMITED MONEY EXCHANGES BEING TRANSACTED IN BAZAAR FOR CASH ONLY. EMBOFF TOLD PRIVATELY THAT MERCHANTS WILL USE ILLEGAL CHANNELS TO
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MAKE GOOD ON PAST EXCHANGE INSTRUMENTS WHICH CURRENTLY BEING

HELD BY POST OFFICE, BUT WHETHER ANY FUTURE CHECK TRANSACTIONS WILL BE MADE IS OPEN TO SERIOUS DOUBT. ONE MONEY MERCHANT TERMED GOVERNMENT ACTION AS QUOTE SEIZING OUR MONEY UNQUOTE.

3. COMMENT: RATIONALE FOR DAOUD GOVERNMENT'S LATEST QUIXOTIC MOVE MAY BE DESIRE SEE ALL FOREIGN EXCHANGE TRANSACTIONS CHanneled THROUGH LOCAL BANKING SYSTEM. WE DOUBT WHETHER PRESENT BANKING SYSTEM WOULD BE ABLE HANDLE EVEN PRESENT VOLUME SUCH TRANSACTIONS WITHOUT SERIOUS DELAYS AND INCREASED TRANSFER CHARGES. FURTHERMORE, CLOSING OF PRIVATE MONEY BAZAAR WOULD HAVE DELETERIOUS EFFECT ON MONETIZED PORTION OF ALREADY WEAKENED AFGHAN ECONOMY. MONEY BAZAAR HAS PLAYED UNIQUE AND VITAL ROLE IN FOREIGN COMMERCE OF AFGHANISTAN AND NEIGHBORING COUNTRIES. RENEWED PRESSURES ON BAZAAR ALSO COULD BE FORERUNNER TO PROMULGATION OF LONG-ANTICIPATED EXCHANGE CONTROL REGULATIONS. ELIOT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC DEVELOPMENT, FOREIGN EXCHANGE RATES, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KABUL08358
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: KABUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731236/aaaabahe.tel
Line Count: 77
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: KABUL 8075
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 12 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Dec-2001 by kelleyw0>; APPROVED <02-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KABUL MONEY BAZAAR UNDER RENEWED GOVERNMENT PRESSURE
TAGS: EFIN, AF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005